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United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Form 10Q

X Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

For Quarter ended March 31, 1992

#Q2-2260

OR

___ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file No. 0-8232

McFarland Energy, Inc.
(Exact name of registrant as specified in its charter)

DELAWARE	95-2756635
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10425 South Painter Avenue, Santa Fe Springs, California 90670
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (310) 944-0181

None
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

PROCESSED BY
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Yes X No _____

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APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

5,199,359 Shares

BEST COPY AVAILABLE

McFarland Energy, Inc.

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended March 31,	
	1992	1991(1)
Revenues:		
Oil and gas	$3,388,000	$4,110,000
Interest and other	37,000	78,000
Gain on sale of assets	39,000	--
	3,464,000	4,188,000
Costs and expenses:		
Crude oil and gas production	1,785,000	2,212,000
Exploration, including dry holes	725,000	1,011,000
Depletion and depreciation	708,000	1,170,000
Property impairments	--	893,000
General and administrative	483,000	549,000
Interest expense	62,000	94,000
Other	50,000	--
	3,813,000	5,929,000
Loss before income taxes	(349,000)	(1,741,000)
Income taxes:		
Current	--	(95,000)
Deferred	(118,000)	(76,000)
	(118,000)	(171,000)
Net loss	$ (231,000)	$(1,570,000)
Net loss per common share	$(0.04)	$(0.30)
Weighted average number of shares outstanding	5,199,359	5,199,359

(1)Restated as described in Note 3.

(See notes following)

McFarland Energy, Inc.

Consolidated Balance Sheets
(Unaudited)

	March 31, 1992	December 31, 1991
ASSETS		
Current Assets:		
Cash and short-term investments	$ 261,000	$ 887,000
Accounts receivable	2,545,000	2,975,000
Tax refund receivable	848,000	848,000
Crude oil inventory	348,000	335,000
Materials and supplies inventory	589,000	542,000
Prepaids and other current assets	291,000	484,000
Total current assets	4,882,000	6,071,000
Property and Equipment	72,820,000	73,201,000
Less accumulated depletion and depreciation	54,613,000	54,696,000
	18,207,000	18,505,000
Other Assets	777,000	767,000
	$23,866,000	$25,343,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 1,669,000	$ 1,480,000
Royalties and revenue payable	1,169,000	1,497,000
Cost advances from joint venture partners	282,000	81,000
Income taxes payable	--	16,000
Other accrued liabilities	597,000	846,000
Borrowings under line of credit	50,000	975,000
Total current liabilities	3,767,000	4,895,000
Convertible Notes	2,592,000	2,592,000
Deferred Income Taxes	477,000	595,000
Stockholders' Equity:		
Common stock, $1.00 par value	5,199,000	5,199,000
Additional paid-in capital	18,796,000	18,796,000
Deficit	(6,965,000)	(6,734,000)
	17,030,000	17,261,000
	$23,866,000	$25,343,000

(See notes following)

McFarland Energy, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31, 1992	1991(1)
ASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(231,000)	$(1,570,000)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion and depreciation	708,000	1,170,000
Abandonments and property impairments	170,000	956,000
Deferred income taxes	(118,000)	(76,000)
Gain on sale of assets	(39,000)	--
Change in assets and liabilities:		
Decrease (increase) in:		
Receivables	430,000	438,000
Inventory	(60,000)	131,000
Prepaids and other current assets	193,000	1,072,000
Increase (decrease) in:		
Accounts payable	189,000	(751,000)
Royalties and revenue payable	(328,000)	(545,000)
Cost advances from joint venture partners	201,000	449,000
Taxes payable	(16,000)	(37,000)
Other accrued expenses	(249,000)	(515,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	850,000	722,000
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(557,000)	(645,000)
Proceeds from sales of property and equipment	15,000	1,000
Other	(9,000)	--
NET CASH USED IN INVESTING ACTIVITIES	(551,000)	(644,000)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Proceeds from revolving line of credit	--	--
Payments on revolving line of credit	(925,000)	(950,000)
NET CASH USED IN FINANCING ACTIVITIES	(925,000)	(950,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(626,000)	(872,000)
Cash and cash equivalents at the beginning of the year	887,000	2,706,000
CASH AND CASH EQUIVALENTS AT MARCH 31, 1992 AND 1991	$ 261,000	$1,834,000

(1)Restated as described in Note 3.

(See notes following)

McFarland Energy, Inc.
Notes to Unaudited Financial Statements
March 31, 1992

Note 1. Statement from Management

The information furnished in this report reflects all adjustments which, in the opinion of management, are necessary to present fairly the financial position at March 31, 1992 and December 31, 1991 and the results of operations for the three months ended March 31, 1992 and 1991.

Note 2. Principles of Consolidation

The consolidated financial statements include the accounts of McFarland Energy, Inc. and its wholly-owned subsidiary, Carl Oil & Gas Co. ("Company"). All intercompany accounts and transactions have been eliminated in consolidation.

Note 3. Change in Accounting

In the fourth quarter of 1991 the Company changed its method of accounting for oil and gas operations from the full cost method to the successful efforts method. The Company's management concluded that the successful efforts method provides a better measure of the Company's exploration and production activities.

Under the successful efforts method, costs of productive wells, development dry holes and productive leases are capitalized and amortized on a unit-of-production basis over the life of the related remaining proven reserves. Cost centers for amortization purposes are determined on a field by field basis. Oil and gas leasehold costs are capitalized when incurred. Significant unproved and proved properties are assessed periodically and any impairments in value are charged to expense.

Exploratory costs including geological and geophysical costs, dry holes and delay rentals are expensed as incurred. Exploratory costs are initially capitalized, but charged to expense if and when a well is determined to be unsuccessful.

Note 4. Convertible Notes

On July 15, 1988, in conjunction with the acquisition of Carl Oil and Gas Co., the Company issued $2,592,000 of 8% convertible subordinated notes due July 15, 1993. The terms of the notes call for quarterly interest payments through July 15, 1993, or up to the date of conversion. The Company has the option to convert the notes to its common stock provided that the Company's common stock has been quoted by the National Association of Securities Dealers at an average weighted price of $12.50 per share, or higher, for at least twenty consecutive business days. These notes may also be converted at the option of the note holders at any time at the rate of one share of the Company's common stock for each $12.50 principal amount.

The notes are subordinate to any senior indebtedness incurred by the Company and restrict payment of dividends on common stock if there exists any unpaid accrued interest.

Note 5. Revolving Credit Agreements

In November 1989 the Company entered into a $5 million revolving credit agreement with a major bank. At the option of the Company, the interest rate on borrowed funds is either the referenced rate, a rate of interest publicly announced by the bank; the fixed rate, the rate agreed-upon between the Company and the bank; or the offshore rate, the rate offered to major banks in the offshore dollar inter-bank markets. On March 8, 1990 the Company borrowed $4 million under the revolving credit agreement to finance the South Louisiana producing properties acquisition. The credit agreement expired in December 1990, and was replaced by a new unsecured credit facility dated December 27, 1990 ("Credit Agreement"). The Credit Agreement consists of a $5 million working capital line of credit which is to be used for working capital, capital expenditures and oil and gas property acquisitions, and it expires on May 31, 1992. The Company expects to renew the line of credit under similar terms at its expiration and is currently in discussions with the bank. At the option of the Company, the interest rate is either the referenced rate, fixed rate or offshore rate.

The Credit Agreement contains certain covenants which require maintenance of minimum levels of net worth and working capital, maintenance of minimum or maximum financial ratios, and certain limitations on the incurrence of liens or encumbrances on the Company's assets. There are no commitment fees or compensating balance requirements.

At March 31, 1992, $50,000 remained outstanding under the $5 million working capital line of credit at an interest rate of 6.5%.

Note 6. Commitments and Contingencies

The Company has certain contingent liabilities with respect to litigation, claims, taxes, government regulations, and contractual agreements arising from the ordinary course of business. While there are always risks inherent in the resolution of any contingency, it is the opinion of management that such contingent liabilities will not result in any loss which would have an adverse material effect on the Company's financial position.

McFarland Energy, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Liquidity

Net cash provided by operating activities increased 18% from a year ago to $850,000. This increase was achieved despite an 18% decline in first quarter oil and gas revenues. The principal factors behind this current quarter increase in net operating cash flow were significantly reduced production and exploration costs and lower general and administrative expenses.

Crude oil production declined 2% from a year ago to 216,000 barrel, while natural gas production fell 21% to 372,000 MCF. The Company's declining natural gas production reflects natural reservoir production declines occurring at the Company's principal California and Gulf Coast gas properties. The Company hopes to offset its declining gas production through its exploration activities and/or through a significant producing property acquisition.

The Company is continuing the expanded steaming activities at its principal Midway Sunset Field property. In the first quarter of 1992, crude oil production from this property averaged 817 gross barrels per day, a 9% increase from the 1991 daily average. Since the end of the quarter, production has increased to a rate in excess of 900 gross barrels per day. Current development plans call for the recompletion of three wells on this property in the second quarter of this year.

In the first quarter of 1992, the Company received an average crude oil price of $12.26 per barrel as compared to $15.53 per barrel received in the first quarter of 1991. The lower crude oil prices accounted for approximately 80% of the current year decline in oil and gas revenues. Since the end of the first quarter the posted prices for the Company's higher gravity Gulf Coast and lower gravity California crude have risen in excess of $2.00 per barrel. Crude prices for Gulf Coast production are now $19.00-$20.00 per barrel, while the posted price for the Company's Midway Sunset Field 13°gravity crude oil as of May 5th is $12.75 per barrel. These price increases will have a significantly favorable impact on the Company's operating cash flow in the second quarter, as well as on the remainder of the year. However, there are no guarantees that crude prices will remain at their current levels since the crude oil markets remain highly volatile and continue to be affected by both foreign and domestic external factors. This price uncertainty makes accurate long-term forecasting extremely difficult, if not impossible.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources
(Continued)

First quarter natural gas prices for Gulf Coast production were at or near, all-time lows. During the quarter, sales of natural gas from some properties were made at price levels below $1.00 per MCF. At such low price levels, the economics of several gas properties become marginal and the Company's cash flow is adversely impacted. Gulf Coast prices have risen since the end of the first quarter and are currently in the range of $1.40-$1.50 per MCF. A seasonally late cold spell appears to have been the cause for the recent rise in natural gas prices. Future gas prices appear highly uncertain and unpredictable, continuing the trend of the past several years.

The first quarter results directly benefitted from the reorganization and cost-cutting measures implemented in the second half of 1991. Production costs declined 19% from a year ago to $1,785,000, while general and administrative costs were 12% lower at $483,000. Of equal importance was the slight improvement in the operating profit margin, which is the ratio of net profit from oil and gas operations to total oil and gas revenues. This ratio improved to 47% as compared to 46% a year ago despite sharply lower oil and gas revenues. Production costs on a barrel equivalent basis were reduced 13% from a year ago to $6.43 per barrel equivalent. The Company will continue to benefit from its 1991 cost-cutting measures and restructuring plan and should see its operating profit margin show further improvement in the second quarter if crude and natural gas prices remain at their current levels.

In April 1992, the Company entered into a settlement agreement with Petrominerals Corporation dismissing the lawsuits filed by the Company and Petrominerals, with neither admitting any wrongdoing. The Company paid $50,000 to Petrominerals as partial reimbursement for its litigation costs.

At March 31, 1992, the Company had net working capital of $1,115,000. The Company has a $5 million revolving line of credit that expires in May 1992. The Company expects this credit facility to be renewed under similar terms and believes that it could borrow larger sums for purposes of producing property acquisitions should the opportunity arise. At March 31, 1992, there remained $4,950,000 available under the Company's existing line of credit.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources
(Continued)

Capital Resources

Capital expenditures in the first quarter of 1992, including dry hole costs, totalled $840,000. In the first quarter the Company participated in the drilling of five exploratory wells, two of which were located in the Gulf Coast area and the remaining three were located in the California San Joaquin Valley. Four of the wells were dry holes, while one of the California wells was completed as a commercial gas well and was tested at a rate of 3,141 MCF per day. The Company has a pre-payout interest of 30%. The well is currently shut-in pending gas marketing considerations. The level of additional development drilling and other related capital expenditures has not yet been finalized.

The Company has budgeted for the remainder of 1992 six other exploratory wells to be drilled in the California San Joaquin Valley. Total budgeted cost for the drilling of these wells is approximately $350,000. One exploratory well in the Gulf Coast area is currently being drilled. The Company has a 17% interest in the well.

The Company is continuing its intensified steaming activities at its principal Midway Sunset Field property. Current development plans call for the recompletion of three wells at a cost of approximately $120,000.

Based on the current cash flow projections, the budgeted capital commitments for exploratory and development activities are expected to be financed with the Company's operating cash flow.

Results of Operations
Three Months Ended March 31, 1992 and 1991

For the three months ended March 31, 1992, oil and gas revenues declined 18% to $3.4 million. The decline in first quarter revenues is primarily due to lower gas production and lower oil and gas prices.

Crude oil production in the first quarter of 1992 decreased 2% to 216,000 barrels. This slight decrease is due to the combination of lower oil production in the North Kern Front Field, as a result of the discontinuation of the Company's steaming activities in June 1991, partially offset by increased production at the Company's principal Midway Sunset Field property. Natural gas production declined 21% to 372,000 MCF as a result of lower gas production in the Company's primary California and Gulf Coast properties.

In the first quarter of 1992, crude oil prices averaged $12.26 per barrel which is a 21% decline from $15.53 per barrel received in 1991. The average natural gas price for the current year was $1.79 per MCF as compared to $2.01 per MCF in 1991, or an 11% decrease.

Oil and gas production costs for 1992 fell 19% from the first quarter in 1991. This decline was primarily the result of the Company's termination of its enhanced steam program at the North Kern Front Field in June 1991 and lower lifting costs overall for the California and Gulf Coast properties. The lifting cost per barrel equivalent for the first three months of 1992 averaged $6.43 per barrel equivalent as compared to $7.37 per barrel equivalent in 1991.

Exploration costs in the first quarter of 1992 decreased 28% from the prior year due primarily to the Company's reduction in its exploration program. In 1992, the Company has participated in five exploratory wells, four of which were dry holes.

Depletion and depreciation expense declined 39% from a year ago due primarily to lower depletable costs in the current year. In the first quarter of 1992 there were no property impairments.

For the first quarter of 1992, general and administrative expenses decreased by 12% as compared to the first quarter of 1991. This decrease reflects the positive effects of the Company's cost-cutting and reorganization plan implemented in the last half of 1991. Interest expense declined 34% to $62,000 in 1992 due to reduced line of credit borrowings in the current quarter.

For the three months ended March 31, 1992, the Company incurred a loss of $231,000, or $.04 per share, as compared to a loss of $1,570,000, or $.30 per share in the same period a year ago.

McFarland Energy, Inc.

Form 10-Q

March 31, 1992

PART II

Item 1. Legal Proceedings

In October of 1989, the Company was served with a summons and complaint in an action filed in Superior Court for the State of California for the County of Orange, Case No. 598151, entitled Petrominerals Corporation v. McFarland Energy, Inc. and McF Subsidiary, Inc. The action arose out of the failure to consummate a proposed merger that was contemplated between the Company and Petrominerals in 1987. Petrominerals had sued the Company for contract and tort damages for the Company's decision not to proceed with the merger and sought actual damages in the amount of at least $8,781,000 as well as punitive damages. In February 1990, the Company answered the complaint, denying all liability and asserting various affirmative defenses. At the same time, the Company filed a cross-complaint against Petrominerals seeking actual and punitive damages for, among other things, breach of contract, fraud and negligent misrepresentation in connection with Petrominerals' conduct during the proposed merger discussions and negotiations. In April 1992, pursuant to a settlement agreement between Petrominerals and the Company, the Company paid $50,000 to Petrominerals as partial reimbursement of Petrominerals' litigation costs, and the two companies dismissed their respective lawsuits, with neither admitting any wrongdoing. The dismissal was entered on April 13, 1992.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: none required

(b) Reports on Form 8-K: None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

McFARLAND ENERGY, INC.

Date: May 13, 1992

Ronald T Yoshihara
Treasurer
(Principal Financial Officer)

J. C. McFarland
Chief Executive Officer